MARKET UPDATE

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Asia stocks steady as DeepSeek rout eases.

Most Asian stocks drifted higher on Wednesday as a severe rout in technology shares, amid concerns over DeepSeek- a new Chinese artificial intelligence model, now appeared to be clearing.

Australian markets were the best performers in the region, rising to a near two-month high as softer-than-expected consumer price index inflation data sparked bets that the Reserve Bank of Australia will cut interest rates soon.

Asian trading volumes were muted on account of market holidays in China, Hong Kong, Taiwan, Singapore, and South Korea, for the Lunar New Year. Chinese markets will be closed for the remainder of the week.

Regional markets took a positive lead-in from Wall Street, where heavyweight technology stocks rebounded sharply from steep losses logged on Monday. But U.S. stock index futures fell in Asian trade, with investors remaining cautious before the conclusion of a Federal Reserve meeting later in the day, where the central bank is widely expected to keep rates steady and strike a hawkish chord.

Focus is also on fourth-quarter earnings reports from several Wall Street majors due this week, with Microsoft Corporation (NASDAQ:MSFT), Tesla Inc (NASDAQ:TSLA), ASML (NASDAQ:ASML), and Alibaba (NYSE:BABA) Group Holding Ltd (HK:9988) set to report later on Wednesday.

Asia FX tepid as Fed kicks off policy meeting.

Most Asian currencies edged higher on Wednesday as investors were cautious amid the ongoing Federal Reserve policy meeting, where commentary on inflation will be crucial in light of recent U.S. tariff concerns.

While the Fed is widely expected to hold rates steady on Wednesday, its commentary on inflation and future rates will be critical for currency markets.

The U.S. dollar remained resilient, supported by expectations of slower rate cuts and the lingering impact of President Donald Trump's tariff policies, which continue to weigh on regional currencies.

The US Dollar Index was largely unchanged in Asian trading on Wednesday, after jumping 0.5% on Tuesday. Dollar Index Futures were also muted.

Alibaba launches new AI model.

Alibaba (NYSE:BABA) released a new artificial intelligence model on Wednesday- Qwen2.5-Max- and claimed that it outperformed major rivals such as OpenAI's GPT-4o, DeepSeek-V3, and Meta's Lama-3.1.

Qwen2.5-Max comes amid increased focus on Chinese AI models, after the release of DeepSeek-V3 and DeepSeek R1, earlier in January, sparked increased questions over U.S. dominance in artificial intelligence.

Alibaba said Qwen2.5-Max was launched on the Alibaba Cloud Bailian platform, and that developers could use a new chat platform to interact directly with the model.

Alibaba claimed that the new model outperformed DeepSeek-V3 on several major benchmarks, including Arena-Hard, LiveBench, LiveCodeBench and MMLU-Pro.

Alibaba said Qwen2.5-Max is comparable to Claude-3.5-Sonnet, and "almost comprehensively surpasses GPT-4o, DeepSeek-V3, and Llama-3.1-405B."

Chinese AI models have come into renewed focus in recent weeks, especially after DeepSeek's R1 model sparked questions over just how much the billions of dollars being poured into AI infrastructure was justified.

DeepSeek appears to match offerings from its American rivals while using older hardware and a much lower budget. The model's release wiped out about $1 trillion in U.S. tech stock valuations on Monday, with Nvidia (NASDAQ:NVDA) accounting for a bulk of losses.

The prospect of companies adopting leaner and more efficient AI models sparked concerns that AI-fueled demand for chips will not be as strong as initially expected.